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## **CHINA CHENGTONG DEVELOPMENT GROUP LIMITED**

**中國誠通發展集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 217)**

### **DISCLOSEABLE TRANSACTION – SALE AND LEASEBACK ARRANGEMENT**

On 23 September 2022, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Leaseback Agreements with the Lessee A and Lessee B, as co-Lessees, pursuant to which Chengtong Financial Leasing will purchase the Leased Assets from the co-Lessees and will lease the Leased Assets back to the co-Lessees for a term of five (5) years, subject to early termination in accordance with the terms and conditions of the Sale and Leaseback Agreements.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Sale and Leaseback Arrangement exceeds 5% but is less than 25%, the Sale and Leaseback Arrangement constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

On 23 September 2022, Chengtong Financial Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Leaseback Agreements with the co-Lessees in respect of the Sale and Leaseback Arrangement, the major terms of which are set out below.

## **SALE AND LEASEBACK ARRANGEMENT**

### **Date of the Sale and Leaseback Agreements**

23 September 2022

### **Parties**

Lessor: Chengtong Financial Leasing

Co-Lessees: Lessee A and Lessee B

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (a) Lessee A indirectly owns 100% of the issued share capital of Lessee B and is directly owned as to approximately 76.46% by the State-owned Assets Supervision and Administration Commission of Yunnan Provincial People's Government, the ultimate beneficial owner of the co-Lessees; (b) each of Lessee A and Lessee B and their ultimate beneficial owner are Independent Third Parties; and (c) the Lessee A is principally engaged in the business of the asset management and custody, iron and steel smelting and processing. Lessee B is principally engaged in the business of the iron ore mining, iron powder processing, mineral products development and marketing.

### **Subject matter**

Subject to the fulfilment of the conditions as set out in the Sale and Leaseback Agreements (including but not limited to the provision by the co-Lessees of all necessary documents or information evidencing its ownership in the Leased Assets, the obtaining of all necessary approvals by the co-Lessees in relation to the Sale and Leaseback Arrangement), Chengtong Financial Leasing will purchase the Leased Assets from the co-Lessees at the Purchase Price of RMB140 million (equivalent to HK\$156.8 million), and the Leased Assets will be leased back to the co-Lessees for a period of five (5) years ("**Lease Term**") from the date on which the Purchase Price is paid by Chengtong Financial Leasing, subject to early termination in accordance with the terms and conditions of the Sale and Leaseback Agreements.

If any of the conditions under the Sale and Leaseback Agreements are not satisfied on or before 23 November 2022 Chengtong Financial Leasing shall have the right to unilaterally terminate the Sale And Leaseback Agreements.

## **Purchase Price**

The Purchase Price of the Leased Assets was agreed between Chengtong Financial Leasing and the co-Lessees with reference to the appraised value of the Leased Assets as at 5 August 2022 which amounted to approximately RMB155.2 million (equivalent to approximately HK\$173.82 million). The co-Lessees do not separately account for the profits before and after tax of the Leased Assets.

The Purchase Price will be satisfied by the internal resources of the Group and/or general bank borrowings.

## **Legal title**

Chengtong Financial Leasing owns the legal title of the Leased Assets during the Lease Term.

## **Lease payment**

The total amount of lease payment over the Lease Term is estimated to be approximately RMB157.8 million (equivalent to approximately HK\$176.74 million) which shall be paid by the co-Lessees to Chengtong Financial Leasing in twenty (20) quarterly instalments during the Lease Term.

The total amount of lease payment represents the sum of the lease principal amount (being the amount of Purchase Price to be paid by Chengtong Financial Leasing) and the lease interest which will be calculated on the then outstanding lease principal amount with a floating interest rate to be determined at a premium over the five (5)-year loan prime rate as promulgated by the National Interbank Funding Center under the authority of the People's Bank of China (“LPR”). In the event that the LPR changes during the Lease Term, adjustments will be made to such lease interest rate on an annual basis on 1 January every year except in the case where the co-Lessees have overdue lease payment and have not paid all overdue payments and liquidated damages, the interest rate applied will not be reduced when the LPR is reduced.

The interest rate has been agreed after arm's length negotiations between the parties with reference to the Purchase Price payable by Chengtong Financial Leasing for the purchase of the Leased Assets and the credit risks associated with the Sale and Leaseback Arrangement.

## **Service Fee**

The co-Lessees shall pay a service fee of RMB1.12 million (equivalent to approximately HK\$1.25 million)(“**Service Fee**”) to Chengtong Financial Leasing after the coming into effect of the Sale and Leaseback Agreements for the preliminary services provided by Chengtong Financial Leasing in respect of the Sale and Leaseback Arrangement. The Service Fee is non-refundable.

## **Co-Lessees' right to repurchase the Leased Assets**

Upon the co-Lessees having paid all the lease payments and other payables (if any) to Chengtong Financial Leasing in accordance with the terms of the Sale and Leaseback Agreements, the co-Lessees shall have the right to repurchase the Leased Assets at a nominal consideration of RMB1.00

## **REASONS FOR AND BENEFITS OF THE SALE AND LEASEBACK ARRANGEMENT**

The Group is principally engaged in leasing, bulk commodity trade, property development and investment, and marine recreation services and hotel business. The Group's leasing business is mainly carried out through Chengtong Financial Leasing as its principal business.

The entering into of the Sale and Leaseback Arrangement is in the ordinary and usual course of business of Chengtong Financial Leasing and it is expected that Chengtong Financial Leasing will earn an income of approximately RMB18.92 million (equivalent to approximately HK\$21.19 million), being the aggregate of the Service Fee and the difference between the estimated total lease payment under the Sale and Leaseback Arrangement and the Purchase Price.

The Directors are of the view that the terms of the Sale and Leaseback Arrangement are fair and reasonable and are in the interests of the Company and the shareholders of the Company as a whole.

## **IMPLICATION UNDER THE LISTING RULES**

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Sale and Leaseback Arrangement exceeds 5% but is less than 25%, the Sale and Leaseback Arrangement constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

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|-------------------------------|--|
| “Board”                       | means the board of Directors   |
| “Chengtong Financial Leasing” | means 誠通融資租賃有限公司 (unofficial English translation being Chengtong Financial Leasing Company Limited), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company |

“Company”	means China Chengtong Development Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	means the director(s) of the Company
“Group”	means the Company and its subsidiaries as at the date of this announcement
“HK\$”	means Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	means third party(ies) independent of the Company and its connected persons (having the meaning ascribed to it under the Listing Rules)
“Leased Assets”	means mining production equipment and facilities including certain milling equipment and crushers etc
“Lessee A”	means 昆明鋼鐵控股有限公司 (unofficial English translation being Kunming Iron & Steel Holdings Co., Ltd.), a State-owned enterprise established in the PRC with limited liability
“Lessee B”	means 玉溪大紅山礦業有限公司 (unofficial English translation being Yuxi Dahongshan Mining Co., Ltd.), a State-owned enterprise established in the PRC with limited liability
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	means the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

“Purchase Price”	means the consideration payable by Chengtong Financial Leasing for the purchase of the Leased Assets from the co-Lessees
“RMB”	means Renminbi, the lawful currency of the PRC
“Sale and Leaseback Agreements”	means, collectively, the following agreements each dated 23 September 2022 and signed between Chengtong Financial Leasing and the co-Lessees in relation to the Sale and Leaseback Arrangement:
	(1) leaseback assets transfer agreement; and
	(2) finance lease agreement (sale and leaseback)
“Sale and Leaseback Arrangement”	means the purchase of the Leased Assets by Chengtong Financial Leasing from the co-Lessees and the leaseback of the Leased Assets to the co-Lessees pursuant to the terms of the Sale and Leaseback Agreements
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“%”	means per cent.

*In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.12. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.*

By Order of the Board  
**China Chengtong Development Group Limited**  
**Zhang Bin**  
*Chairman*

Hong Kong, 23 September 2022

*As at the date of this announcement, the executive Directors are Mr. Zhang Bin and Mr. Yang Tianzhou; the non-executive Director is Mr. Wang Daxiong; and the independent non-executive Directors are Professor Chang Qing, Mr. Lee Man Chun, Tony and Professor He Jia.*